

Message Text

CONFIDENTIAL

PAGE 01 LAGOS 08539 01 OF 02 261627Z

43

ACTION AF-08

INFO OCT-01 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 IO-13

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07 COME-00 TRSE-00

AID-05 FRB-03 XMB-02 /120 W
----- 019602

P R 261411Z JUL 76

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC PRIORITY 6038

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BEIRUT

AMEMBASSY BRASILIA

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 LAGOS 8539

E. O. 11652: GDS

TAGS: PFOR, EINV, NI

SUBJ: GARBA BRIEFING ON INDIGENIZATION

REF : (A) LAGOS 8506 NOTAL (B) LAGOS 8516 NOTAL

1. SUMMARY: IN BRIEFING JULY 26, EXTAFF COMMISSIONER GARBA COMPLAINED OF CERTAIN DIPLOMATIC MISSIONS "SPREADING RUMORS" ABOUT INDIGENIZATION. HE SOUGHT TO REASSURE DIPLOMATS THAT IT WAS "BUSINESS AS USUAL," BUT HIS BRUSQUE MANNER DID NOT DISPELL THE ATMOSPHERE OF THREAT. GARBA LATER EXPLAINED TO CHARGE THAT MANAGEMENT OF FOREIGN FIRMS WOULD REMAIN IN FOREIGN HANDS DESPITE 60 PERCENT NIGERIAN OWNERSHIP UNTIL QUALIFIED
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LAGOS 08539 01 OF 02 261627Z

NIGERIANS WERE AVAILABLE TO TAKE OVER. GARBA DID NOT HANDLE MEET-

ING WITH DIPLOMATS WECW; THE MEETING CLEARLY REFLECTED FMG CONCERN THAT NEW FOREIGN INVESTMENT WOULD BE FRIGHTENED OFF; DESPITE HIS ASSURANCES, THIS IS THE LIKELY RESULT UNTIL MODE OF IMPLEMENTATION OF INDIGENIZATION BECOMES CLEAR, PERHAPS IN CONNECTION WITH IMMINENT ACQUISITION OF 60 PERCENT NIGERIAN OWNERSHIP OF ALL FOREIGN BANKS. END SUMMARY.

2. TWENTY-SIX SELECTED CHIEFS OF MISSION WERE INVITED TO MEET WITH EXTAFF COMMISSIONER GARBA IN NIGERIAN INSTITUTE FOR INTERNATIONAL AFFAIRS, AFTERNOON JULY 23 TO DISCUSS INDIGENIZATION. PRESS AND NEWS REPRESENTATIVES WERE PROMINENTLY PRESENT; DIPLOMATIC REPRESENTATIVES WERE CAREFULLY CHOSEN, EXCLUDING AFRICAN AND COMMUNIST STATES (ALTHOUGH SOMEONE LATER SAID A CZECHOSLAVAKIAN REPRESENTATIVES WERE THERE). CHARGE NOTED REPRESENTATIVES OF ADDRESSEE COUNTRIES (PLUS GREECE, SWITZERLAND, BELGIUM, ARGENTINA, VENEZUELA, DENMARK, SPAIN, NORWAY, SWEDEN, CANADA, AUSTRIA; OTHERS REPRESENTED BY UNIDENTIFIED JUNIOR OFFICERS.

3. COMMISSIONER GARBA STRODE INTO THE CHAMBER WITH DETERMINATION AND PROCEEDED TO READ BRIEF "REMARKS...TO HEADS OF MISSIONS OF INDUSTRIALIZED COUNTRIES" (COPY BEING POUCHED ADDRESSEES). HIS TONE WAS TESTY AS HE COMPLAINED THAT CERTAIN ASPECTS OF INDIGENIZATION WERE APPARENTLY MISUNDERSTOOD AND CALLED ON REPRESENTATIVES TO REPORT DEVELOPMENTS FAITHFULLY AND CREATE AN ATMOSPHERE OF UNDERSTANDING. HE SAID QUESTIONS HAD BEEN ASKED AS TO WHY FMG EMBARKED ON SECOND PHASE OF INDIGENIZATION NOW, WHY THE INCREASE TO 60 PERCENT, AND WHAT WOULD BE THE POSITION OF EXPATRIATE MANAGEMENT. GARBA EXPLAINED THE AIM IS TO PROTECT NIGERIA FROM ABUSES AND BRING INCREASED NIGERIAN PARTICIPATION IN FOREIGN-OWNED ENTERPRISES. OBJECTIVE IS "NOT TO DISCOURAGE OR FRUSTRATE FOREIGN ENTERPRISES THAT ARE DIRECTLY INTERESTED IN THE PROGRESS OF THIS COUNTRY"; NIGERIA WANTS AND EXPECTS FULL INVOLVEMENT OF FOREIGN PARTNERS; INTENT IS TO BLEND NIGERIAN ENTERPRISE AND CAPITAL WITH FOREIGN TECHNOLOGY AND MANAGEMENT; INDIGENIZATION IS NEITHER IDEOLOGICALLY MOTIVATED NOR DIRECTED AGAINST ANYONE; FOREIGN CAPITAL IS MOST WELCOME, AND JOINT VENTURE INVESTMENTS ARE "SAFER IN A CLIMATE DEVOID OF RANCOUR AND RESENTMENT" THAN THEY WOULD BE UNDER ANY INVESTMENT GUARANTEE AGREEMENT. HE ADDED THAT 40 PERCENT PARTICIPATION IN NIGERIA IS WORTH INFINITELY MORE THAN 100 PERCENT

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LAGOS 08539 01 OF 02 261627Z

IN SOME OTHER COUNTRIES. GARBA CONCLUDED WITH REQUEST THAT AMBASADORS REPORT THIS TO THEIR GOVERNMENTS AND ESPECIALLY THERE NATIONALS INVOLVED IN INDUSTRIAL AND COMMERCIAL ENTERPRISES IN NIGERIA. HE CONCLUDED WITH ASSURANCE THAT AS FAR AS FMG IS CONCERNED, "IT IS BUSINESS AS USUAL."

4. HAVING FINISHED HIS PREPARED TEXT, GARBA WENT ON TO MAKE SOME LESS DIPLOMATIC EXTEMPORANEOUS COMMENTS. HE COMPLAINED THAT IT

SHOULD NOT BE NECESSARY FOR HIM TO COME TO MAKE THESE POINTS TO THE DIPLOMATIC CORPS. HE SAID FMG "IS DISAPPOINTED AT GOINGS-ON AMONG DIPLOMATIC CORPS"; FMG "SEES NO REASON WHY RUMOR MONGERING SHOULD BE THE ORDER OF THE DAY"; "RUMORS ABOUT INDIGENIZATION ARE REPORTED TO EMANATE FROM DIPLOMATIC CIRCLES"; THE GOVERNMENT HAS TAKEN ITS DECISION ON THIS AND IS DETERMINED TO CARRY IT THROUGH; IT IS "NOT GOING TO TOLERATE ANYONE WHO MAKES THINGS DIFFICULT", AND IN SUCH CASE WILL TAKE WHATEVER STEPS NECESSARY.

5. GARBA THEN THREW THE MEETING OPEN FOR QUESTIONS. THERE WAS A LONG, DEADLY SILENCE. FINALLY, CHARGE HAD THE TEMERITY TO ASK WHAT BASIS WOULD BE USED TO ESTABLISH THE VALUE OF THAT PORTION OF FOREIGN COMPANIES TO BE TRANSFERRED TO NIGERIAN OWNERSHIP: PAR VALUE, BOOK VALUE, OR SOMETHING ELSE? GARBA LOOKED BLANK AND TURNED TO A GROUP OF ADVISORS SITTING OFF TO HIS RIGHT. ADVISORS PUT THEIR HEADS TOGETHER AND THEN ASKED, "WHAT WAS THE QUESTION?" CHARGE REPEATED IT; THEY PUT THEIR HEADS TOGETHER AGAIN, THEN ONE SAID THIS POINT WAS BEING STUDIED BY A PANEL AND WORD WOULD BE COMING OUT ON THE SUBJECT. GARBA THEN TURNED TO CHARGE AND SAID "THAT IS JUST A DETAIL. ARE THERE ANY OTHER QUESTIONS?" THERE WERE NONE, SO HE SAID IF AMBASSADORS WERE AFRAID TO SPEAK UP OVER THE PA SYSTEM, PERHAPS EASIER EXCHANGE WOULD BE POSSIBLE OVER REFRESHMENTS. IT WASN'T.

6. THE GROUP REPAIRED TO NIIA EXTRANCE HALL WHERE THERE WERE TEA AND COOKIES. CHARGE APPROACHED GARBA REGARDING ANOTHER SUBJECT (REF.A), AND THEN GERMAN AMBASSADOR DROEGE ENGAGED GARBA IN CONVERSATION, ASKING WHAT RUMORS HE HAD BEEN REFERRING TO. GARBA RESPONDED IN NON-SPECIFIC TERMS AND SEEMED SOMEWHAT ON THE DEFENSIVE, BUT WHEN INDIAN HIGH COMMISSIONER ROY JOINED THE CONVERSATION, STARTING OUT "I TAKE EXCEPTION TO YOUR REMARKS...", GARBA WENT STRONGLY ON THE OFFENSIVE, AND AN INCREDIBLE SHOUTING EXCHANGE ENSUED OVER WHETHER ROY DID OR DID NOT "LISTEN TO RUMORS",
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 LAGOS 08539 01 OF 02 261627Z

ACTIVITIES OF HIS FIVE THOUSAND NATIONALS IN LAGOS THAT MIGHT OR MIGHT NOT BE PREJUDICIAL TO NIGERIAN INTERESTS, AND WHAT GUIDANCE HE GAVE OR DID NOT GIVE THEM. THIS WENT ON FOR SEVERAL MINUTES, AND THEN THE TWO ANTAGONISTS RETIRED TO THEIR SEPARATE CORNERS, EACH MUTTERING HOW OUTRAGEOUS THE OTHER WAS. THE OTHER CHIEFS OF MISSION STOOD AROUND, AGHAST AT THE EXCHANGE.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LAGOS 08539 02 OF 02 261640Z

43

ACTION AF-08

INFO OCT-01 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 IO-13

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07 COME-00 TRSE-00

AID-05 FRB-03 XMB-02 /120 W
----- 019729

P R 261411Z JUL 76

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC PRIORITY 6039

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BEIRUT

AMEMBASSY BRASILIA

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 2 OF 2 LAGOS 8539

7. JULY 25 DURING TELEPHONE CALL ON ANOTHER SUBJECT (REF.A), GARBA ASKED CHARGE WHAT THE CORPS THOUGHT OF THE MEETING ON THE 23RD; SAID THERE HAD BEEN MISUNDERSTANDINGS AND RUMORS AND IN KEEPING WITH HIS OPEN POLICY HE FELT IT BEST TO MEET WITH THE AMBASSADORS AND SET THE RECORD STRAIGHT. CHARGE ENDORSED PRACTICE OF SUCH DIRECT COMMUNICATIONS WHEN MATTERS NEEDED CLARIFICATION; ADDED HOWEVER THAT HE WAS UNCERTAIN AS TO NATURE OF RUMORS GARBA HAD BEEN TALKING ABOUT. GARBA RESPONDED THAT VARIOUS FOREIGN BUSINESSMEN, ABETTED BY THEIR DIPLOMATIC MISSIONS AND BY CERTAIN UNSCRUPULOUS NIGERIANS, WERE SPREADING RUMORS ABOUT THE IMPLICATION FOR FOREIGN MANAGEMENT OF THE INCREASE TO 60 PERCENT OF NIGERIAN STOCK OWNERSHIP IN CATEGORY 2 FIRMS (REF. B); THESE RUMORS WERE FALSE AND THREATENED TO DISCOURAGE FOREIGN FIRMS UNJUSTI-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LAGOS 08539 02 OF 02 261640Z

FIABLY. CHARGE ASKED IF GARBA WAS SAYING THAT FOREIGN OWNERS IN CATEGORY 2 WOULD RETAIN MANAGEMENT CONTROL OF THEIR FIRMS DESPITE THE FACT THAT THEY WERE 60 PERCENT NIGERIAN OWNED. GARBA SAID FMG

WAS NOT CALLING FOR DRASTIC, IRRESPONSIBLE CHANGES; MANAGEMENT WOULD REMAIN IN FOREIGN HANDS UNTIL QUALIFIED NIGERIANS WERE AVAILABLE TO TAKE OVER. CHARGE SAID THIS WAS INTERESTING AND IT MIGHT HAVE HELPED CLARIFY THINGS FOR THE AMBASSADORS IF GARBA HAD SPECIFICALLY IDENTIFIED THE RUMORS TO WHICH HE REFERRED AND HAD DEALT WITH THEM IN CONCRETE TERMS. GARBA SAID HE HAD HOPED TO DO SO AND EXPECTED THAT THE AMBASSADORS AND HIGH COMMISSIONERS WOULD TAKE ADVANTAGE OF THE OPPORTUNITY TO PUT ANY QUESTIONS THEY MIGHT HAVE SO ALL THIS COULD BE EXAMINED AND CLARIFIED IN AN EASY EXCHANGE; BUT THEY WOULD NOT ASK ANY QUESTIONS. HE THEN ASSERTED THAT HE HAD SPECIFIC REPORTS CERTAIN DIPLOMATIC MISSIONS HAD BEEN SPREADING RUMORS ON THE SUBJECT. HE SAID HE DID NOT WANT TO IDENTIFY THE MISSIONS CONCERNED, BUT HE KNEW WHO THEY WERE; WAS IT NOT THE RIGHT THING TO TAKE THE MATTER UP WITH THE GROUP AS HE HAD DONE? CHARGE WONDERED WHETHER IT MIGHT HAVE BEEN HELPFUL TO TAKE THE MATTER UP DIRECTLY WITH THOSE MISSIONS INVOLVED. GARBA RESPONDED, "IT WAS NOT IMPORTANT ENOUGH FOR THAT." (SIC) CONVERSATION CLOSED WITH CHARGE'S REITERATING VALUE OF OPEN COMMUNICATION. GARBA SEEMED TO HAVE HIS DOUBTS ABOUT IT.

8. COMMENT: ABOVE EPISODE REFLECTS LACK OF SOPHISTICATION OF NIGERIA'S PRESENT MILITARY LEADERS. AS WE RECONSTRUCT IT, NATIONALISTIC MOTIVES LED THEM TO DECIDE ON MORE DRASTIC INCREASE IN INDIGENIZATION THAN HAD BEEN EXPECTED BY THE FOREIGN COMMUNITY; FOREIGN REACTION WAS PREDICTABLY ONE OF CONCERN AND WAIT-AND-SEE. WE HAVE HAD NUMBERS OF REPORTS INDICATING THAT PROGRESS ON VARIOUS INVESTMENT PROJECTS HAS BEEN SUSPENDED UNTIL MODE OF APPLICATION OF NEW INDIGENIZATION DECREE BECOMES CLEAR. FMG SUDDENLY REALIZED IMPACT SUSPENSION OF FOREIGN INVESTMENT COULD HAVE ON THIRD NIGERIAN DEVELOPMENT PLAN, ONE-THIRD OF FINANCING FOR WHICH WAS TO COME FROM PRIVATE (LARGELY FOREIGN) CAPITAL; AND SO GARBA WAS SENT TO SPEAK WITH MEMBERS OF DIPLOMATIC CORPS TO ALLAY THEIR FEARS AND THOSE OF THEIR BUSINESSMEN IN OR INTERESTED IN COMING TO NIGERIA. HOWEVER, HIS BRUSQUE, HECTORING TONE SO INTIMIDATED AMBASSADORS AND HIGH COMMISSIONERS THAT THERE WAS NO Q AND A EXCHANGE ON THIS AT ALL, AND HIS ALTERCATION WITH ROY SIMPLY MADE MATTERS WORSE.

9. GARBA'S BEHAVIOR WILL DO LITTLE TO RESTORE FOREIGN INVESTOR
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LAGOS 08539 02 OF 02 261640Z

CONFIDENCE IN THE COMPETENCE OF THE PRESENT FMG, BUT HIS STATEMENT TO CHARGE THAT INVESTORS WOULD RETAIN MANAGEMENT UNTIL NIGERIANS QUALIFY MAY OFFER BASIS FOR MODEST ENCOURAGEMENT. IF SPELLED OUT AND PLEDGED PUBLICLY, AN FMG GUARANTEE ON MANAGEMENT WOULD AT LEAST CLARIFY THE RULES AND POSSIBLY REVIVE INVESTOR INTEREST. CONTACTS WITH AMERICAN BUSINESSMEN FACING 60 PERCENT INDIGENIZATION BY 1979 INDICATE THAT MANY WELL-QUALIFIED FIRMS THINK THEY CAN LIVE WITH ONLY 40 PERCENT OWNERSHIP PROVIDED THEY RETAIN EFFECTIVE CONTROL OF MANAGEMENT, AT LEAST LONG ENOUGH TO RECOVER THEIR INVESTMENT AND A REASONABLE PROFIT. THE OBVIOUS WAY FOR THE FMG TO

RESTORE INVESTOR CONFIDENCE IS THROUGH A SATISFACTORY SETTLEMENT
OF CURRENT NEGOTIATIONS WITH FOREIGN BANKS IN A WAY THAT
SETS DURABLE PRECEDENTS FOR THE REMAINDER OF THE ECONOMY.
CROSBY

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, PLANNING MEETINGS, MINISTERIAL MEETINGS, BRIEFING MATERIALS, BUSINESS FIRMS, INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LAGOS08539
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760287-0071
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760722/aaaaatds.tel
Line Count: 281
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 LAGOS 8506
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 05 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 APR 2004 by greeneet>; APPROVED <12 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GARBA BRIEFING ON INDIGENIZATION
TAGS: PFOR, EINV, NI, US, (KISSINGER, HENRY A), (GARBA, JOSEPH N)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006